LEROUX STEEL INC. ANNUAL REPORT 2001

Financial Highlights

(in thousands of dollars except per-share and other data as noted)

	NOVEMBER 3 2001	OCTOBER 28 2000	OCTOBER 31 1999	OCTOBER 31 1998	OCTOBER 31 1997
Shipments (in tonnes)	825,303	871,760	796,345	615,800	500,400
Sales	$ 588,382	$ 680,961	$ 586,911	$ 495,385	$ 370,649
Average selling price ($/tonne)	$ 713	$ 781	$ 737	$ 804	$ 740
EBITDA	$ 16,598	$ 57,631	$ 31,759	$ 33,411	$ 21,039
Net income (net loss)	$ (3,021)	$ 20,588	$ 8,251	$ 12,064	$ 9,779
Basic	$ (0.42)	$ 1.90	$ 0.72	$ 1.05	$ 0.83
Fully diluted	$ (0.42)	$ 1.41	$ 0.59	$ 0.82	$ 0.67
Cash flow	$ 3,353	$ 29,241	$ 14,011	$ 17,697	$ 13,244

"Founded in 1887, Leroux Steel is the largest steel distributor in Eastern Canada with a growing presence in the United States."

The Company, which has approximately 1,100 employees, specializes in the procurement, warehousing, processing and distribution of some 3,000 steel products. It serves over 8,000 customers in a wide range of industries. To that end, Leroux Steel operates a modern network of 26 service centres, including a steel joist production unit and a reinforcing steel production unit. With an indoor warehousing space totaling more than two million square feet, these service centers are strategically based across Eastern Canada and the North Eastern and Central United States.

Message to Shareholders

"More than 100 years of experience have taught us that obstacles on the path to growth, once overcome, only serve to enrich our business acumen." After a particularly productive fiscal year in 2000 in terms of growth in sales and profitability, this past year proved much more demanding for Leroux Steel. As foreseen, the economic slowdown in North America had a negative impact on all of the Company's products in terms of both demand and pricing. Despite a substantial decrease in imports from Asia and Eastern Europe, inventory levels remained high across the industry.

In Canada, demand in the manufacturing, mining and forestry industries slipped throughout the year, particularly in the last two quarters. Only the construction industry, stimulated by a high number of new sites, remained relatively strong. Consequently, sales and net earnings from Canadian activities declined in 2001 to $406.0 million and $5.0 million respectively.

For its part, the American economy suffered a generalized slump in corporate profitability over the past year. This situation drove down demand for steel products, particularly beams. High producer and distributor inventories also contributed to the gradual slide in prices over the year. Consequently, sales attributable to American activities decreased 13.9% to $182.4 million, and the net loss from these activities totalled $8.0 million.

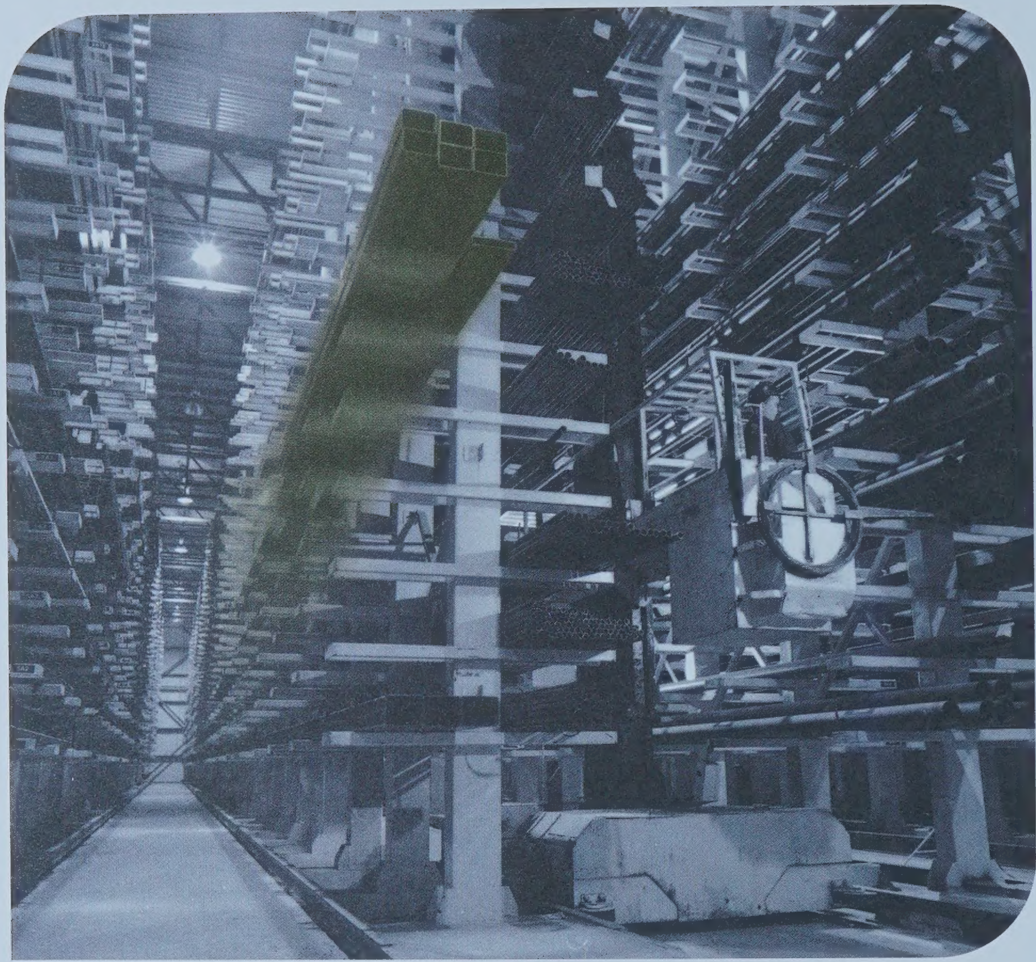
On a consolidated basis, shipments declined 5.3% to 825,303 tonnes last year from 871,760 tonnes the previous year. The average selling price per tonne also dropped to $713 from $781 a year earlier. Consequently, consolidated sales totalled $588.4 million, down 13.6% from $681.0 million in 2000. The Company ended the year with a net loss of $3.0 million or $0.42 per share (basic and fully diluted) compared to net earnings of $20.6 million or $1.90 per share ($1.41 diluted) the previous year.

Clearly, we would have preferred an alternative scenario to the one we experienced last year. However, more than 100 years of experience have taught us that obstacles on the path to growth, once overcome, only serve to enrich our business acumen.

With this in mind and the future firmly in our sights, we have forged ahead, more determined than ever to excel and outpace the industry. We have emphasized operating efficiency network-wide by focusing our efforts on elements over which we have some control.

MARKED INVENTORY CUTBACK AND COST CONTROL From the outset of the year we worked to bring down inventory levels, reducing them by over $48 million to $122.5 million by year-end. This significant reduction led to lower management costs by resetting the balance between the value of inventories and sales and helped reduce our working capital needs.

Our cost control program also proved particularly effective, generating savings of approximately 8% in operating costs. These cuts partially offset the negative impact of lower sales prices on our profit margins for the past year.



“From the outset of the year, we worked to bring down inventory levels, reducing them by over $48 million which helped reduce our working capital needs.”

IMPROVED CAPITAL STRUCTURE Tight management of administrative expenses and inventories helped sustain cash flow from operating activities and strengthen our financial situation. Thus, despite the difficult climate that prevailed in the industry in 2001, Leroux Steel's capital structure improved, with shareholders' equity representing 39.1% of total assets at year-end compared to 34.1% at the end of October 2000.

INCREASED PENETRATION IN THE UNITED STATES AND THE ATLANTIC PROVINCES With the help of our diversified product range and value-added processing services, we managed to increase our share of the American and Atlantic provinces markets. In both these markets, the decrease in our shipment volume was less than the industry average.

With the stress still on operating process improvements, the seven service centres of our American network were able to ship some 234,738 tonnes of steel products to our American clients for a total value of $182.4 million in 2001.

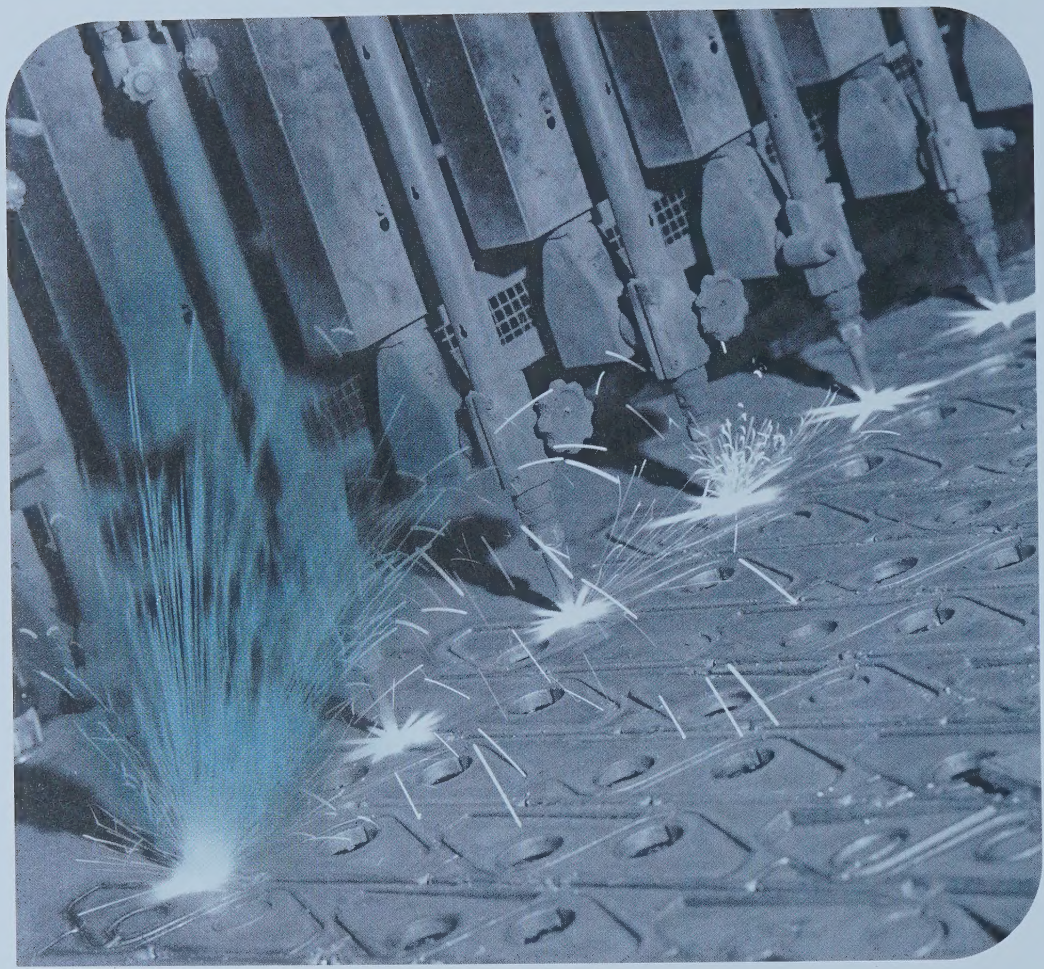
In the Atlantic provinces, the strategy highlighting just-in-time delivery and processing services was once again highly successful, with shipments from our two service centres for the region representing 5.5% of the Company's consolidated sales for 2001.

PROCESS RE-ENGINEERING In an effort to further increase returns and maintain our lead over the competition, we pushed ahead on our business process re-engineering project in 2001.

Thus, we continued to develop our central data system, with the very purpose of optimizing the Company's operating efficiency. Based on an integrated database, this system allows data and statistics on the general operation of all our service and processing centres to be compiled and analyzed. Updated daily, this data provides Company officers with all the information they require to take enlightened operating decisions that will translate into major performance gains for the Company.

ASSET OPTIMIZATION In parallel with the development of our central data system slated for completion in 2003, we also initiated an exhaustive review of all our work methods in 2001.

Over the years, Leroux Steel has built up modern facilities consisting of 26 service centres across Eastern North America and the Midwest. These centres generally house all the functions related to administration, sales, marketing, processing and distribution.



"With the help of our diversified product range and value-added processing services, we managed to increase our share of the American and Atlantic provinces markets."

After many years of growth, both internal and through acquisitions, we have decided to restructure our network operating rules: each establishment will henceforth be called upon to contribute to the Company's competitive position in accordance with its expertise and geographic location. Shipment distribution will be based on plant specialization and location. Thus, certain establishments will change from profit centres to shipping or specialized centres.

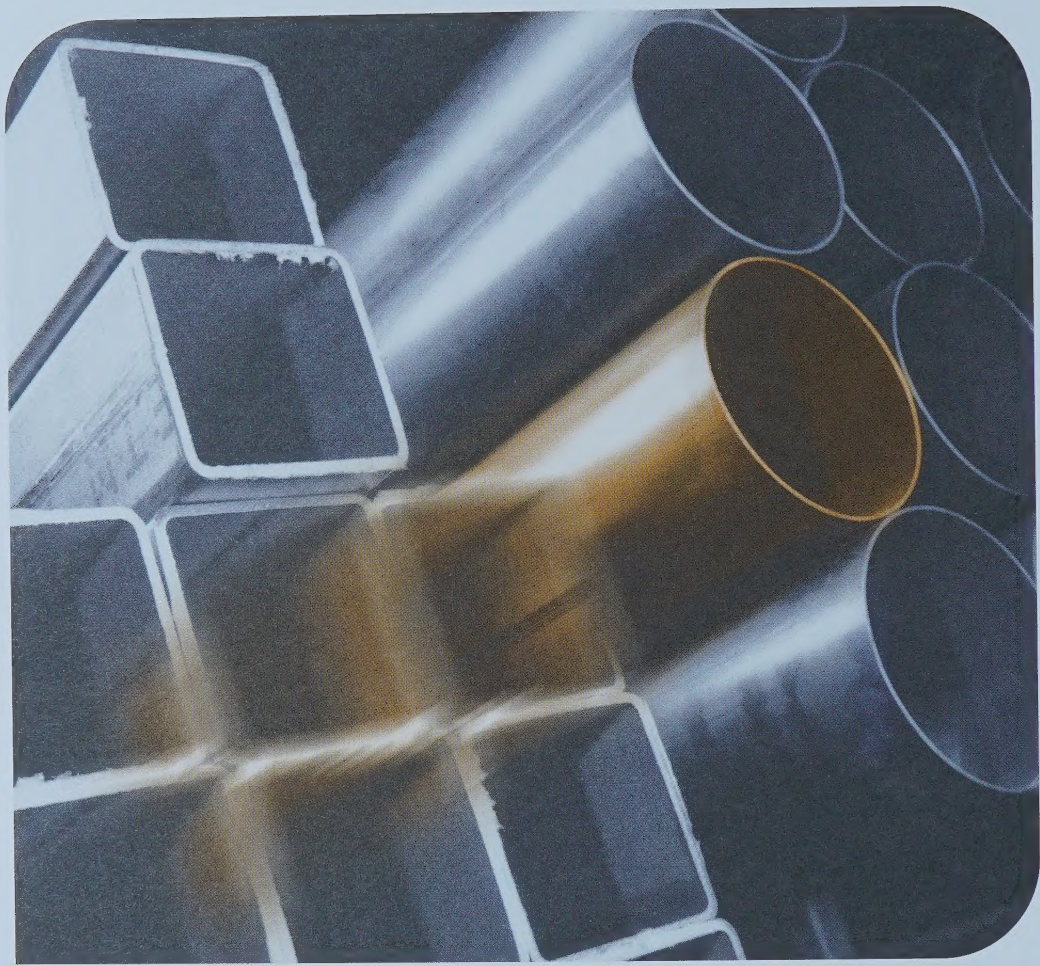
This approach should translate into substantial operating and administrative cost savings. It will also improve management of operations, inventories, and processing and distribution activities.

SENIOR MANAGEMENT APPOINTMENT Continuing to implement its corporate strategy, Leroux Steel strengthened its management team in 2001 by appointing Richard H. Samuel as Vice-President, Sales and Marketing, Canada, and Vice-President, Operations, Canada.

Over the years, Mr. Samuel has acquired a solid background in administration and marketing. This expertise is a tremendous asset for the Company in the current, highly competitive business climate.

Mr. Samuel's responsibilities at Leroux Steel will consist of overseeing the development of the Canadian market and supervising all the operational aspects of our service centres.

ANTIDUMPING INITIATIVES In June 2001, American steelmakers filed a petition with the U.S. government asking it to impose antidumping duties on steel beams from various countries. After investigation, the U.S. International Trade Commission came to the conclusion in July 2001 that the American steelmakers' request appeared justified in the case of eight countries. A recommendation from the U.S. Department of Commerce in favor of American steelmakers will resulted in a decrease in imports of steel beams from these eight countries, which represented nearly 18% of the American beam market, and should help strengthen prices in the United States.



“Our cost control program also proved particularly effective, generating savings of approximately 8% in operating costs.”

OUTLOOK We expect 2002 to be another difficult year for the industry. In the short-term, persistent weakness in demand combined with excess market supply will continue to exert downward pressure on prices. In this context, pressure on margins will remain strong in the coming quarters. In the longer term, relaxing of monetary policy in the United States and Canada should help create the conditions for an upturn in demand toward the end of 2002. In addition, decreased North American product supply due to the failure of some steel producers and restrictions on steel product imports by the U.S. Department of Commerce will combine to drive prices up.

Overall, we remain well placed to stimulate our growth and outperform the competition. We are in fact able to capitalize on our vast network of service centres, inventory of diversified products and quality of our value-added services. On the profitability front, we firmly intend to pursue our efforts to improve productivity and control costs.

ACKNOWLEDGEMENTS On behalf of the Board of Directors, I would like to thank the personnel of Leroux Steel and its subsidiaries for their sustained efforts over the past year, which enabled us to strengthen our position as the leading steel product distributor in North America. My thanks also to our clients, suppliers and business partners for their continued support in 2001. Finally, I wish to reiterate to all our shareholders our continued commitment to growth in shareholder value.

Gilles Leroux
Chairman of the Board
and Chief Executive Officer

Our Network

CANADIAN DIVISIONS

A Boucherville Division
1331, rue Graham-Bell
Boucherville, Quebec
J4B 6A1

B Terrebonne Division
1025, boul. des Entreprises
Terrebonne, Quebec
J6Y 1V2

C Ottawa Division
2420 Stevenage Drive
Ottawa, Ontario
K1G 3W3

D Amos Division
1675, route de l'Aéroport
C.P. 550
Amos, Quebec
J9T 3A8

E Quebec Division
167, rue Rotterdam
Saint-Augustin-de-Desmaures
Quebec
G3A 2K2

F Acier Loubier Division
5225, rue John-Molson
Quebec, Quebec
G1X 3X4

G Mégantic Métal Division
1400, boul. Smith Nord
C.P. 22
Thetford Mines, Quebec
G6G 5R9

H Chicoutimi Division
2149, rue de la Fonderie
Chicoutimi, Quebec
G7H 5B1

I Baie-Comeau Division
55, rue William-Dobel
Baie-Comeau, Quebec
G4Z 1T8

J Sept-Îles Division
533, boul. Laures Est
Sept-Îles, Quebec
G4R 4K2

K Rimouski Division
221, rue des Négociants
Rimouski, Quebec
G5M 1B7

L Sackville Division
141 Crescent Street
Sackville, New Brunswick
E4L 3V2

M Halifax Division
5 Burley Court
Burnside Industrial Park
Dartmouth, Nova Scotia
B3B 2A3

N Cambridge Division
15 Cherry Blossom Road
Cambridge, Ontario
N3H 4R7

24 Nicholas Beaver
R.R. 3
Guelph, Ontario
N1H 6H9

O Port Robinson Division
200 South Street North
Port Robinson, Ontario
L0S 1K0

CANADIAN SUBSIDIARIES

A Transfo-Métal inc.
1300, rue Graham-Bell
Boucherville, Quebec
J4B 6H5

B Richler Steel Corporation
1300, rue Graham-Bell
Boucherville, Quebec
J4B 6H5

C Armabec inc.
2300, rue Garneau
Longueuil, Quebec
J4G 1E8

D Delta Joists Inc.
1270, 2e Rue
Parc Industriel
Sainte-Marie-de-Beauce
Quebec G6E 1G8

E Acier Dollard inc.
6600, boul. Décarie
Suite 310
Montreal, Quebec
H3X 2K4

AMERICAN AFFILIATES
FEDERAL PIPE AND STEEL CORPORATION

A Plattsburgh Division
4 Martina Circle
Plattsburgh, New York
12901

B Sales Office
14 Saratoga Road
Scotia, New York
12302

C Manchester Division
300 Gay Street
Manchester, New Hampshire
03103

D South Plainfield Division
2 Lakeview Avenue
Piscataway, New Jersey
08854

E Chicago Division
521 First Street
Peotone, Illinois
60468

F Detroit Division
41580 Joy Road
Plymouth, Michigan
48170

G Blytheville Division
38932 North Country
Road 903
Blytheville, Arkansas
72315

Head Office Leroux Steel Inc.

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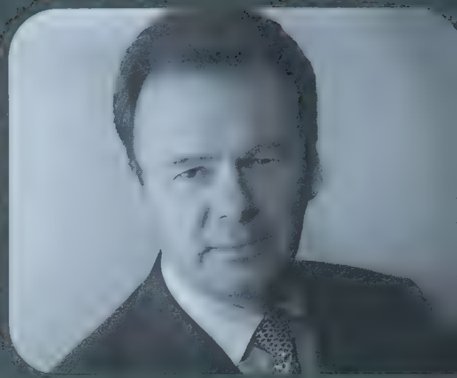
Fax: (450) 641.9024

Website: www.leroux-steel.com



Management Discussion and Analysis

of Financial Position and Operating Results

"The measures implemented during the past year to cut costs, increase profit margins and improve productivity should foster profitability and improved returns in 2002." The following analysis of the Company's financial position and operating results is provided to give the reader an overview of any substantial changes in financial position and operating results that occurred between October 28, 2000 and November 3, 2001. It should also be noted that results for the 2001 fiscal year are for a 53-week period while fiscal 2000 covered the usual 52 weeks.

OPERATING RESULTS For the year ended November 3, 2001, Leroux Steel shipped 825,303 tonnes of steel, 5.3% less than the previous year. This decrease resulted from weakened demand arising from the economic slowdown that affected all of North America for the entire year.

Shipments in Canada were down 4.6% in 2001 relative to the previous year in response to lower demand in the manufacturing, mining and forestry industries. In the United States, where beams represent about two-thirds of the Company's sales, shipments fell 7.1% relative to 2000, a direct consequence of the general decline in corporate profitability.

Unfavorable market conditions on both sides of the border and imports from Asia and Eastern Europe in the first half of the year combined to maintain the supply-demand imbalance. Already apparent at the end of the previous year, this situation translated into substantially lower prices in 2001 relative to 2000. Thus, our average selling price last year dropped to $713 per tonne, down 8.7% from $781 the previous year.

In conjunction with the lower volumes shipped, lower prices meant sales figures were down 13.6% at $588.4 million compared to $681.0 million in 2000. This drop equally affected both Canadian and American activities. Sales attributable to the Canadian divisions amounted to $406.0 million, down 13.5% compared to fiscal 2000, while sales for the American activities decreased 13.9% to $182.4 million, down from $211.7 million a year earlier.

Earnings before interest, taxes, depreciation and amortization (EBITDA) declined by $41.0 million in 2001, totalling $16.6 million compared to $57.6 million for 2000. Operating profit margins fell from 8.5% the previous year to 2.9% in 2001. The decline in the operating profit margin for the past year was attributable to the erosion in gross margins, although partially offset by a 12.0% reduction in administrative expenses.

Interest expense amounted to $13.0 million in 2001 compared to $13.8 million in 2000. This $0.8 million decrease is a direct consequence of the repayment of $15.4 million in bank loans and some $3 million in long-term debt, as well as the repurchase of almost $7.8 million in convertible debentures.

Amortization of fixed assets totalled $8.4 million in 2001, up $0.6 million or 7.7% from $7.8 million a year earlier. The increase was primarily due to capital acquisitions during the preceding year aimed at modernizing the equipment used in day-to-day operations.

The loss before income taxes and other items amounted to $4.6 million in 2001 compared to earnings before income taxes and other items of $36.3 million in 2000. After accounting for provisions, the Company benefited from an income tax recovery of $2.0 million in 2001. In 2000, income taxes on earnings of $15.2 million represented an effective tax rate of 42.0%.

Leroux Steel closed the 2001 fiscal year with a net loss of $3.0 million or $0.42 per share (basic and fully diluted), compared to net earnings of $20.6 million or $1.90 per share ($1.41 fully diluted) in 2000. The weighted average number of shares outstanding was 10,476,994 in 2001 compared to 10,530,823 in 2000. The decrease is attributable to the repurchase for cancellation of 70,500 shares on the market in the past year at an average price of $5.01 per share.

QUARTERLY RESULTS Analysis of the 2001 quarterly results shows a continual slide in shipments in the first three quarters due to the industry-wide economic slowdown. Shipments climbed a slight 12.3% in the fourth quarter, in part due to a reduction in imports.

Persistent weakness in demand combined with the high inventory levels throughout the industry put downward pressure on selling prices during the entire year. Consequently, the average selling price slid from $761 per tonne in the first quarter to $683 per tonne in the fourth quarter.

In 2001, profitability for all quarters was down from the corresponding periods in 2000. Slowing shipments combined with the lower average selling price resulted in declining profitability in the first three quarters of the year. Consequently, the $62,000 in net earnings for the first quarter was followed by net losses of $1.9 million in each of the second and third quarters. Finally, measures taken by the Company to improve productivity and control costs helped generate a return to profitability in the fourth quarter, which yielded net earnings of $0.8 million.

CASH FLOW In 2001, cash flow from operating activities amounted to $3.4 million or $0.32 per share, down $25.8 million from $29.2 million or $2.78 per share the previous year. This decrease was primarily due to the substantial decline in profitability. Thanks to a positive variance of $29.2 million in non-cash working capital items, operating activities generated net cash of $32.6 million in 2001, compared to only $0.4 million in 2000, when a substantial build-up of inventories had a large impact on working capital.

Investment activities used net cash of $2.9 million in 2001, down 72.9% compared to $10.8 million in 2000. This major reduction reflects the Company's decision to defer certain investment projects to avoid increasing its debt load during these difficult times for the steel industry. Thus, capital expenditures, used primarily to update computer and steel transformation equipment, amounted to $5.9 million in 2001 compared to $13.1 million a year earlier. In addition, the Company generated net proceeds of $3.6 million from asset sales in the past year, compared to $2.6 million the previous year.

Financing activities used net cash of $26.7 million in 2001, having generated net cash of $10.7 million a year earlier. Bank loan repayment and convertible debenture buybacks required $22.9 million in 2001, while in 2000, bank loans alone grew by $13.6 million. Finally, in the normal course of its activities, as part of its share buyback program, the Company repurchased 70,500 Class B subordinate voting shares in 2001 for a total of $0.4 million, compared to 32,200 shares for a total of $0.2 million the previous year.

Overall, the activities described above and other transactions during the year generated cash of $3.6 million in 2001 compared to $0.6 million in 2000. Thus, at November 3, 2001, cash stood at $0.7 million, compared to a bank overdraft of $2.9 million at the end of fiscal 2000.

FINANCIAL POSITION Leroux Steel's total assets fell by 17.5% to $330.1 million at November 3, 2001, compared to $400.1 million at October 28, 2000. This decrease was in large part due to a $48.4 million decline in inventories, which shrank from $170.9 million to $122.5 million following a gradual return to a more balanced supply-demand ratio, primarily in the second half of the year. The decline in assets seen in 2001 was also due to an 18.1% decrease in accounts receivable to $104.5 million, arising from the gradual slide in the selling price during the year. Finally, the sale of assets in the second and third quarters and the surplus of depreciation charges over capital acquisitions also helped trim total assets by some $3.2 million in 2001.

Total liabilities stood at $201.1 million at November 3, 2001 compared to $263.8 million at the end of the previous year. This 23.8% drop had four main causes: a $15.4 million reduction in bank loans to $88.7 million; a $28.5 million decrease in accounts payable to $55.5 million as a result of more rigorous management of supplies and inventories; a $2.9 million decrease in the liability component of the convertible debentures to $3.3 million; and finally, a $2.7 million reduction in the long-term debt to $47.6 million (including the current portion due in fiscal 2002).

The long-term debt of the Company and its subsidiary, Federal Pipe and Steel Corporation, are maturing during the next year and are presented in the current liability. Management undertook steps to obtain new sources of financing. Working capital stood at $43.6 million at November 3, 2001 compared to $99.0 million at October 28, 2000. This change was primarily due to the $44.8 million increase in the portion of the long-term debt due in the coming fiscal year, to $46.3 million. Expressed as a ratio, working capital stood at 1.23:1 at the end of the 2001 fiscal year compared to 1.49:1 at October 28, 2000.

As mentioned above, long-term debt, including the current portion, decreased by 5.4% to $47.6 million. This brings the debt-to-equity ratio to 0.37, the same level as at October 28, 2000. Total debt represented 52% of capital invested at the end of fiscal 2001 compared to 54% as at October 28, 2000.

Shareholders' equity declined from $136.3 million at October 28, 2000 to $129.0 million at November 3, 2001. Two main factors underlie this decrease: a $3.7 million reduction in the value of the equity component of the convertible debentures pursuant to the partial repurchase of debentures in 2001, and the drop in profitability during the year. Thus, the book value of the shares declined by 2.5% to $10.84.

OUTLOOK The year 2002 is expected to be a demanding one for Leroux Steel and for the steel industry as a whole. Weak demand, which set the pace on both sides of the border in 2001, is expected to persist in the coming quarters. However, the expansionist monetary and fiscal policies adopted by the Canadian and American governments should favour a gradual economic upturn and increased demand toward the end of the fiscal year. Thus, we expect that the supply/demand imbalance will gradually be corrected, and the prices of most steel products should gradually begin to rise. This favourable development could, however, prove less marked in Canada than in the United States. The likely adoption of tariffs and quotas by the American State Department on imports of certain products could significantly squeeze supply to the south of the border, causing prices to strengthen further.

The measures implemented during the past year to cut costs, increase profit margins and improve productivity should foster profitability and improved returns in 2002. The savings in administrative and operating costs, combined with additional inventory cuts, will enable the Company to optimize the cash generated by its operating activities. In order to add additional flexibility to our capital structure, part of these amounts will be applied to repayment of bank loans and long-term debt. Finally, additional synergies arising from the improvements to operating processes will enhance the Company's competitive position and increase shareholder value.

RISKS AND UNCERTAINTIES Leroux Steel attempts to mitigate the cyclical price fluctuations in the steel industry through increasingly effective management of inventories and operating expenses. Furthermore, the Company is able to reduce the impact of downward fluctuations likely to affect certain market niches or product categories due to its diversified products and services, pool of supplier and geographic markets.

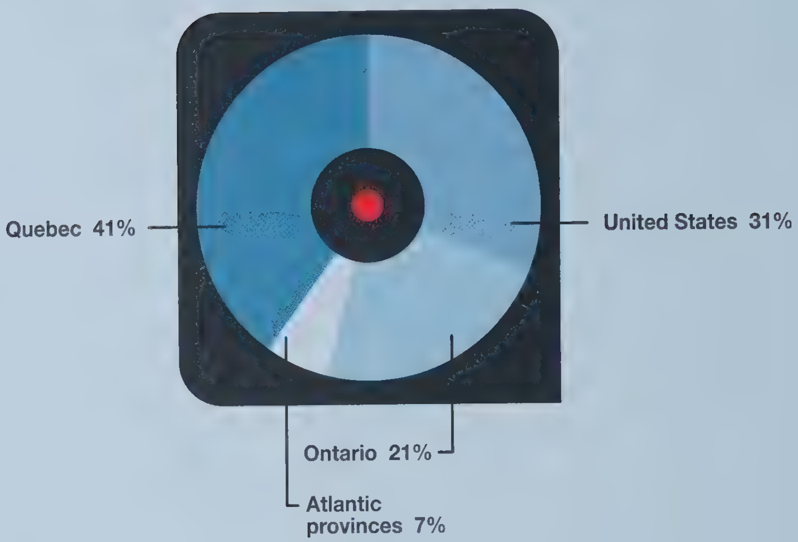
Due to the fact that a significant portion of its activities is conducted in foreign currencies, the Company is sensitive to fluctuations in the exchange rate. The Company manages this by using foreign exchange contracts when required.

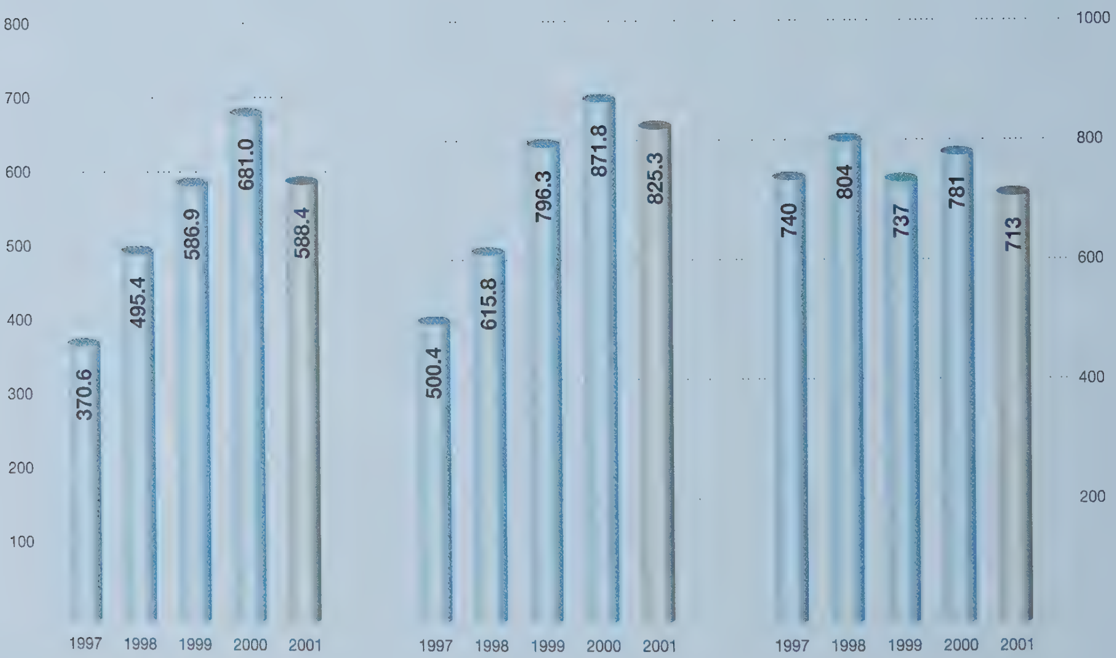
Any substantial increase in interest rates could negatively affect Leroux Steel's performance due to its level of indebtedness and to the resulting negative impact on corporate investment and consequently on demand for steel products. Management seeks to mitigate the impact of rate increases through derivative instruments such as interest rate caps and swaps.

DISCLAIMER With the exception of historic information, this analysis may contain information and declarations of a speculative nature with regard to the Company's future performance. These are made based on assumptions, uncertainties and management's best estimates with regard to future events. Such factors might include, but are not limited to, fluctuations in quarterly results, changes in client demand for the Company's services and the impact of competitive price pressures, as well as general market trends and changing economics. Consequently, readers are advised that actual results may be different than expected results.

Serge Bergeron
Chief Financial Officer

GEOGRAPHIC MARKETS
(in % of sales)





SALES
(in millions of $)

SHIPMENTS
(in thousands of tonnes)

AVERAGE SELLING PRICE
($/tonne)

Financial Section
Leroux Steel Inc.

Management's Report

Management is responsible for the integrity and fair presentation of the consolidated financial statements and other information in the annual report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles of Canada. Financial and operating data elsewhere in the annual report are consistent with those contained in the consolidated financial statements.

The Company's policy is to maintain systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide assurance that the financial information is accurate and reliable and that assets are adequately accounted for and safeguarded.

The consolidated financial statements have been reviewed by the Audit Committee and have been approved by the Board of Directors. In addition, the consolidated financial statements have been audited by Arthur Andersen LLP, Chartered Accountants.

In the opinion of management, these financial statements incorporate, within reasonable limits, all important elements and data available at December 3, 2001.

Gilles Leroux
Chairman of the Board and Chief Executive Officer
December 3, 2001

Auditors' Report

To the Shareholders of Leroux Steel Inc.

We have audited the consolidated balance sheets of LEROUX STEEL INC. as at November 3, 2001 and October 28, 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 3, 2001 and October 28, 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP
Chartered Accountants
Montréal, Canada
December 3, 2001
(January 25, 2002 for the note 2a)

(the accompanying notes are an integral part of these consolidated financial statements)

Consolidated Balance Sheets

(in thousands of dollars)

AS AT	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
ASSETS		
CURRENT ASSETS		
Cash	**710**	–
Accounts receivable	**104,503**	127,609
Inventories	**122,469**	170,884
Income taxes receivable	**3,421**	–
Future income taxes	**1,662**	1,555
Prepaid expenses	**2,307**	2,074
	235,072	302,122
INVESTMENTS (Note 6)	**451**	943
CAPITAL ASSETS (Note 7)	**91,039**	94,279
FUTURE INCOME TAXES	**1,514**	–
GOODWILL, at amortized cost	**1,688**	1,876
DEFERRED CHARGES, at amortized cost (Note 8)	**277**	630
OTHER ASSETS, at cost	**96**	237
	330,137	400,087
LIABILITIES		
CURRENT LIABILITIES		
Bank overdraft	–	2,851
Bank loans (Note 9)	**88,698**	104,074
Accounts payable	**55,497**	84,039
Income taxes payable	–	9,301
Future income taxes	**28**	102
Current portion of debt component of the convertible debentures (Note 13)	**952**	1,186
Current portion of long-term debt (Note 10)	**46,312**	1,521
	191,487	203,074
LONG-TERM DEBT (Note 10)	**1,284**	48,794
FUTURE INCOME TAXES	**2,552**	3,614
NON-CONTROLLING INTEREST	**2,453**	1,997
DEBT COMPONENT OF THE CONVERTIBLE DEBENTURES (Note 13)	**3,341**	6,281
	201,117	263,760
COMMITMENTS (Note 11)		
SHAREHOLDERS' EQUITY		
Share capital (Note 12)	**34,774**	35,076
Convertible debentures (Note 13)	**15,515**	19,192
Cumulative foreign currency translation adjustment	**3,526**	2,407
Retained earnings	**75,205**	79,652
	129,020	136,327
	330,137	400,087

Approved on behalf of the Board:

Gilles Leroux
Director

Claude Perrotte
Director

Consolidated Statements of Income

(in thousands of dollars)

FOR THE YEARS ENDED	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
NET SALES	**588,382**	680,961
COST OF SALES AND EXPENSES		
Cost of sales and operating expenses	**571,359**	622,871
Interest on long-term debt and on convertible debentures	**4,585**	5,020
Other interests	**8,408**	8,796
Amortization - capital assets	**8,356**	7,760
Amortization - goodwill	**188**	163
Amortization - deferred charges	**90**	64
	592,986	644,674
INCOME (LOSS) BEFORE INCOME TAXES AND OTHER ITEMS	**(4,604)**	36,287
INCOME TAXES (Note 5)	**(2,008)**	15,240
INCOME (LOSS) BEFORE OTHER ITEMS	**(2,596)**	21,047
SHARE IN NET INCOME OF THE COMPANY SUBJECT TO SIGNIFICANT INFLUENCE	**2**	110
NON-CONTROLLING INTEREST	**(427)**	(569)
NET INCOME (NET LOSS)	**(3,021)**	20,588
EARNINGS (LOSS) PER SHARE	**(0.42)**	1.90
EARNINGS (LOSS) PER SHARE - FULLY DILUTED	**(0.42)**	1.41
AVERAGE NUMBER OF SHARES OUTSTANDING DURING THE YEAR	**10,476,994**	10,530,823

Consolidated Statements of Retained Earnings

(in thousands of dollars)

FOR THE YEARS ENDED	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
BALANCE, beginning of year	**79,652**	59,721
Net income (net loss)	**(3,021)**	20,588
Accretion of equity component of the convertible debentures (less income taxes of $394 [2000 - $385])	**(1,375)**	(628)
Premium on purchase of Class A shares and Class B subordinate shares	**(51)**	(29)
BALANCE, end of year	**75,205**	79,652

(the accompanying notes are an integral part of these consolidated financial statements)

(the accompanying notes are an integral part of these consolidated financial statements)

Consolidated Statements of Cash Flows

(in thousands of dollars)

FOR THE YEARS ENDED	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
OPERATING ACTIVITIES		
Net income (net loss)	(3,021)	20,588
Items not affecting cash		
Amortization	8,670	8,020
Non-controlling interest	427	569
Future income taxes	(2,757)	164
Loss (gain) on disposal of capital assets	(198)	10
Loss on purchase of convertible debentures	234	–
Share in net income of the company subject to significant influence	(2)	(110)
	3,353	29,241
Net changes in non-cash working capital items	29,220	(28,870)
	32,573	371
INVESTING ACTIVITIES		
Business acquisitions	(654)	–
Proceeds from disposal of investments	12	11
Acquisition of capital assets	(5,889)	(13,147)
Proceeds from disposal of capital assets	3,601	2,628
Deferred charges	–	(381)
Acquisition of other assets	(15)	(5)
Proceeds from disposal of other assets	5	48
	(2,940)	(10,846)
FINANCING ACTIVITIES		
Changes in bank loans	(15,154)	13,574
Increase in long-term debt	398	511
Repayment of long-term debt	(3,096)	(2,651)
Issue of Class B subordinate shares	–	80
Purchase of Class A and Class B subordinate shares	(353)	(167)
Purchase of convertible debentures	(7,815)	–
Accretion, net of income taxes, of the equity component of the convertible debentures	(643)	(628)
	(26,663)	10,719
EFFECT OF EXCHANGE RATE CHANGES ON CASH	591	332
CASH AND CASH EQUIVALENTS INCREASE	3,561	576
BANK OVERDRAFT, beginning of year	(2,851)	(3,427)
CASH (BANK OVERDRAFT), end of year	710	(2,851)

Cash flows include the following items:

Interest paid	12,587	13,940
Income taxes paid	11,055	9,036

Notes to Consolidated Financial Statements

November 3, 2001 and October 28, 2000 (tabular amounts are in thousands of dollars)

1. Statutes of incorporation and nature of activities

The Company, incorporated under Part IA of the Québec Companies Act, operates mainly as a steel products distributor in Canada and the United States.

The year ended November 3, 2001, includes 53 weeks compared to 52 weeks for the year ended October 28, 2000.

2. Significant accounting policies

a) **Financial statements presentation**

These consolidated financial statements have been prepared in accordance with accounting principles that apply to a going concern. Credit facilities and long-term debt of the Company mature on May 31, 2002 whereas those of its subsidiary, Federal Pipe and Steel Corporation, mature on March 31, 2002. Therefore, these debts have been presented under current liability. On January 25, 2002, the Company received a letter of intent from a lender regarding the financing of Federal Pipe and Steel Corporation for credit facilities similar terms to those of the current facilities. This proposal will be subject to a due diligence review that will be performed by the lender shortly. The Company is also pursuing ongoing discussions with its Canadian lenders in order to renew its credit facilities. The Company's management is confident to conclude financing agreements for both its Canadian and American operations so that it can conduct its current operations as well as those of its subsidiary in the normal course of business.

b) **Consolidation**

The consolidated financial statements, expressed in Canadian dollars, include the accounts of the Company and those of its subsidiaries:

SUBSIDIARIES NAME	OWNERSHIP INTEREST
Poutrelles Delta Inc. and its subsidiary, Delta Steel Joist, Inc.	66.67%
Dollard Steel Inc.	100.00%
Armabec Inc.	100.00%
Boen Steel Corp.	100.00%
E. Ennis and Company Limited	100.00%
Federal Pipe and Steel Corporation	100.00%
La Corporation d'acier Richler	100.00%
Transfo-Métal Inc.	100.00%
3891810 Canada Inc.	100.00%

c) **Use of estimates**

The presentation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) **Foreign currency translation**

Self-sustaining subsidiaries

Foreign subsidiaries of the Company are considered self-sustaining. As a result, their financial statements are converted according to the current rate method.

Based on this method, assets and liabilities are converted at the exchange rate in effect at the balance sheet date and revenue and expense items are translated at the average year rate. Translation adjustments resulting from exchange rate fluctuations are included in Cumulative foreign currency translation adjustment in the Shareholders' Equity.

Foreign currency transactions

Except for transactions for which the Company has entered into forward foreign exchange contract, monetary assets and liabilities are translated into Canadian dollars at the exchange rate prevailing at year-end and nonmonetary assets and liabilities at their historical rate. Revenue and expense accounts are translated using the average exchange rates prevailing during the year, except for inventories and amortization which are translated at their historical rates. Translation gains and losses are included in the statements of income.

Monetary items in foreign currencies included in current assets and liabilities, hedged by forward foreign exchange contracts, are translated using the average exchange rate of these contracts prevailing at year-end. Gains and losses on forward foreign exchange contracts are included in the revenues in the same period as the related export sales.

(tabular amounts are in thousands of dollars)

period as the related export sales.

2. Significant accounting policies (cont'd 1)

e) Derivative financial statements

The Company manages its foreign exchange exposure through the use of derivative financial instruments. Derivatives used are part of the Company's risk management strategy, are initially designated as an hedge, and their effectiveness is monitored on a constant basis. The Company does not use derivatives for trading purposes.

f) Inventory valuation

Inventories are valued at the lower of cost and net realizable value, the cost being determined using the average cost method.

g) Investments

The interest in the company subject to significant influence is accounted for using the equity method until July 29, 2001, when the Company acquired control and commenced to consolidate the accounts of this company.

h) Capital assets

Capital assets are accounted for at cost.

Amortization of capital assets is calculated at the following methods and rates:

	Methods	Rates
Buildings	straight-line	2 ½ and 5%
Land improvements	straight-line	5%
Machinery and equipment	straight-line	5 and 10%
Leasehold improvements	straight-line	12 ½ and 20%
Automotive equipment	straight-line	20%
Planes	diminishing balance	15%
Furniture	diminishing balance	20%
Office technology, computer and telephone systems	straight-line	8 and 33 ⅓%

i) Goodwill

Goodwill is recorded at cost and amortized over a 15-year period, using the straight-line method. The Company assesses annually the fair value of the unamortized cost of goodwill and the period over which the economic benefits will subside. The fair value is based on the sales from current customers and an estimate of future operating profit.

j) Deferred charges

Issue expenses related to the debt component of the debentures are amortized on the straight-line method over the term of the debentures.

Pre-operating expenses are amortized on a straight-line basis over three and five years.

The Information Management System project expenses are amortized on the straight-line method over a five-year period.

k) Net earnings per share

To calculate the net earnings per share, the accretion of the equity component of the convertible debentures is deducted from net income.

The net earnings per share is determined by using the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate the diluted earnings per share. This method assumes that the proceeds received upon exercise or conversion of dilutive securities would be used to purchase subordinate shares at the average market price during the financial year.

l) Pension plans

The Company has defined benefit pension plans covering certain of its employees. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services. Pension costs are determined periodically by independent actuaries. Pension expense is charged to operations and includes:

i) the cost of pension benefits provided in exchange for employees' services rendered during the year;

ii) the interest cost of pension obligations, the return on pension fund assets and the amortization of cumulative unrecognized net actuarial gains and losses in excess of 10% of the greater of the projected benefit obligation or market-related value of plan assets over the expected average remaining service life of the employee group covered by the plans.

The pension plans are funded through contributions determined in accordance with the projected unit credit actuarial cost method prorated on services.

2. Significant accounting policies (cont'd 2)

m) Stock option plan

The Company has a stock option plan where options to purchase subordinate shares are issued to directors and officers. No compensation expense is recognized for these plans when shares or share options are issued. Any consideration paid on the exercise of options is credited to share capital.

n) Cash and cash equivalents

The Company's cash and cash equivalents include cash and bank overdraft representing outstanding cheques. Bank loans or bank overdraft representing credit facility are not included in cash and cash equivalents. They are considered as a financing activity.

3. Change in accounting policies

During the year 2001, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants with respect to the calculation of diluted earnings per share. The change in accounting policy has been applied retroactively and had no impact on the diluted earnings per share for the years ended November 3, 2001 and October 28, 2000.

During the year 2001, the Company adopted retroactively the new recommendations of the Canadian Institute of Chartered Accountants concerning income taxes. The change in accounting policy had no significant impact on the Company's retained earnings as at October 29, 2000 and on the current net loss.

During the year 2000, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants concerning the employee future benefits. The effect of the resulting change from the accounting policies applied in the previous years has been accounted for on a prospective basis and had no significant impact on the net income for the year ended October 28, 2000.

4. Business acquisitions

On October 28, 2000, the Company owned 40% of Transfo-Métal Inc. On July 29, 2001, the Company acquired an additional investment of 20% (representing 20,000 shares) for a cash consideration of $166,073, bringing the investment at 60%. The transaction was accounted for under the purchase method. Operating results of Transfo-Métal Inc. are included in these consolidated financial statements from the date of acquisition based on the Company's interest. The company acquired operates mainly in the steel transformation industry.

Net assets acquired were as follows:	2001 $
Cash and cash equivalents	(6)
Current assets	621
Capital assets	1,288
Other long-term assets	3
Current liabilities	(685)
Long-term debt	(6)
Future income taxes	(235)
Non-controlling interest	(332)
	648
Less: Investment at equity method	482
Net asset acquired	166
Cash consideration	166

On November 2, 2001, the Company acquired the remaining interest of 40% in Transfo-Métal Inc. for a cash consideration of $332,000.

On October 1, 2001, Dollard Steel Inc., a wholly-owned subsidiary of the Company, acquired the assets of a company representing mainly capital assets for a cash consideration of $150,001. The transaction was accounted for under the purchase method.

(tabular amounts are in thousands of dollars)

(tabular amounts are in thousands of dollars)

5. Income taxes

Reconciliation of the basic income tax rate and the effective income tax rate:

	NOVEMBER 3 2001 %	OCTOBER 28 2000 %
Basic rate	**35.3**	39.3
Surtaxes and large corporations tax	**(5.7)**	1.9
Non-deductible items	**(3.2)**	0.9
Income tax rate adjustment	**10.7**	–
Future income taxes adjustment	**(1.0)**	0.5
Recognition of previously unrecorded tax benefits of subsidiaries	**1.2**	(0.2)
Rate variance - US subsidiaries	**6.3**	(0.4)
Effective rate	**43.6**	42.0

	$	$
Income taxes break down as follows:		
Current	**749**	15,076
Future	**(2,757)**	164
	(2,008)	15,240

Future income tax assets and liabilities result from the following:

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
FUTURE TAX ASSETS		
SHORT-TERM		
Tax losses carried forward	**1,662**	–
Inventories	**–**	1,555
	1,662	1,555
LONG-TERM		
Tax losses carried forward	**1,514**	–
	1,514	–
FUTURE TAX LIABILITIES		
SHORT-TERM		
Holdbacks on contracts	**28**	102
	28	102
LONG-TERM		
Capital assets	**2,552**	3,614
	2,552	3,614

6. Investments

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Transfo-Métal Inc., held at 40%		
40,000 common shares	**–**	330
150,000 non-voting preferred shares	**–**	150
Mortgage loan, 8%, payable by monthly installments up to 2004	**451**	463
	451	943

7. Capital assets

	NOVEMBER 3, 2001		
	COST $	ACCUMULATED AMORTIZATION $	NET BOOK VALUE $
Land	**9,547**	**–**	**9,547**
Buildings	**60,775**	**8,112**	**52,663**
Land improvements	**1,790**	**309**	**1,481**
Machinery and equipment	**35,322**	**18,410**	**16,912**
Leasehold improvements	**2,555**	**1,579**	**976**
Automotive equipment	**5,851**	**4,963**	**888**
Furniture, office technology, computer and telephone systems	**18,350**	**9,778**	**8,572**
	134,190	**43,151**	**91,039**

	OCTOBER 28, 2000		
	COST $	ACCUMULATED AMORTIZATION $	NET BOOK VALUE $
Land	9,602	–	9,602
Buildings	61,252	6,604	54,648
Land improvements	1,727	236	1,491
Machinery and equipment	30,949	14,271	16,678
Leasehold improvements	1,975	1,405	570
Automotive equipment and planes	8,487	5,457	3,030
Furniture, office technology, computer and telephone systems	14,044	6,158	7,886
Deposit on planes	374	–	374
	128,410	34,131	94,279

Revenue producing properties have a cost of $1,279,116 (2000 - $6,636,721) and accumulated amortization of $267,087 (2000 - $845,229).

8. Deferred charges

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Issue expenses related to the debt component of the debentures	**149**	182
Pre-operating expenses	**34**	81
Information management system projects	**94**	367
	277	630

9. Bank loans

The Company and its subsidiaries have credit facilities of $85,000,000 ($85,000,000 in 2000) with Canadian banks and of US$25,000,000 (US$28,000,000 in 2000) with an American bank at variable rates established under conditions described in the credit agreements. On November 3, 2001, the effective rate was of 6.05% for Canadian loans, and at the bank's cost of funds for US loans, being 6.5%. The credit facilities of the Company are maturing on May 31, 2002 and those of its subsidiary Federal Pipe and Steel Corporation mature on October 31, 2001. The Company and its subsidiary, Federal Pipe and Steel Corporation, did not yet conclude a renewal agreement on November 3, 2001. Refer to Note 2 a).

The credit facilities are secured by accounts receivable and inventories of the Company and by demand bonds of $180,000,000 ($180,000,000 in 2000) issued in accordance with a mortgage deed on almost all of the property in Canada.

Under the conditions of the credit agreement, the Company and its subsidiaries must satisfy certain covenants as to minimum financial ratios. On November 3, 2001, the subsidiary, Federal Pipe and Steel Corporation, does not meet certain financial ratios. The creditor of Federal Pipe and Steel Corporation has waived the Company's requirement to meet its ratios and extended the credit facilities until March 31, 2002. Refer to Note 2 a).

(tabular amounts are in thousands of dollars)

(tabular amounts are in thousands of dollars)

10. Long-term debt

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Term loan of a maximum of $40,000,000, subject to the same securities as those described in Note 9 concerning facilities maturing on May 31, 2002 and bearing interest at variable rates established under conditions described in the credit agreement. As at November 3, 2001, the effective rate was 6.05%	**39,802**	39,759
Loans at rates up to 8.90%, secured by machinery, automotive equipment and computer software having a net book value of $509,144, maturing up to 2005	**6,387**	6,754
Loans at rates up to 8.90%, secured by machinery, automotive equipment and computer software having a net book value of $509,144, maturing up to 2005	**1,407**	3,802
	47,596	50,315
Current portion	**46,312**	1,521
	1,284	48,794

Principal payments required for the next five years are as follows:

	NOVEMBER 3 2001 $
2002	**46,312**
2003	**534**
2004	**209**
2005	**108**
2006	**102**

11. Commitments

As at November 3, 2001, the balance of commitments under lease agreements for premises, automotive equipment, airplane and computer system amounts to $21,781,273. The minimum rental payments for the next five years are as follows:

	NOVEMBER 3 2001 $
2002	**7,085**
2003	**5,018**
2004	**3,650**
2005	**2,651**
2006	**1,877**

The Company has provided letters of credit for total amounts of $2,149,470 (US$1,350,000) maturing in December 2001.

12. Share capital

Authorized

Unlimited number of Class A shares, entitled to ten votes per share. Each share is convertible, at the option of its holder, into one Class B subordinate share, without par value

Unlimited number of Class B subordinate shares, entitled to one vote per share, convertible under certain circumstances into Class A shares, without par value

Unlimited number of preferred shares, without par value and issuable in series

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Issued		
3,550,567 Class A shares	**5,135**	5,135
6,918,446 subordinate shares (2000 - 6,988,946)	**29,639**	29,941
	34,774	35,076

a) Transactions during the years

- In 2001, purchase of 70,500 Class B subordinate shares for a cash consideration of $353,205. In 2000, purchase of 200 Class A shares and 32,200 Class B subordinate shares for a cash consideration of $1,013 and $166,046, respectively.
- In 2000, issuance of 20,000 Class B subordinate shares pursuant to the stock option plan for a cash consideration of $80,000.
- In 2000, issuance of 14 Class B subordinate shares upon redemption and conversion of $100 of convertible debentures.

b) Reserved shares

- 6,832,843 (2000 - 8,429,682) Class B subordinate shares have been reserved for the following:
- 745,000 for the stock option plan.
- 2,537,276 (2000 - 4,134,115) to cover the conversion rights related to the debentures described in Note 13.
- 3,550,567 to cover the conversion rights related to Class A shares.

c) Stock option plan

Under the stock plan, options are granted to directors and officers at prices ranging from $4 to $7 per share and with maturity dates up to May 28, 2011.

As of November 3, 2001, 400,000 options were issued and outstanding as follows:

	OPTIONS OUTSTANDING		OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE $	NUMBER	EXERCISE PRICE, WEIGHTED AVERAGE $	NUMBER	EXERCISE PRICE, WEIGHTED AVERAGE $
4.00 to 5.50	392,000	5.16	264,000	5.08
5.51 to 7.00	8,000	7.00	8,000	7.00
	400,000	5.20	272,000	5.14

During the year, the number of options has varied as follows:

	NOVEMBER 3, 2001		OCTOBER 28, 2000	
	EXERCISE PRICE, WEIGHTED AVERAGE $	NUMBER OF OPTIONS $	EXERCISE PRICE, WEIGHTED AVERAGE $	NUMBER OF OPTIONS $
Balance, beginning of year	**5.20**	**462,000**	4.79	235,000
Granted	**5.35**	**32,000**	5.47	272,000
Exercised	–	–	4.00	(20,000)
Cancelled	**5.26**	**(94,000)**	5.25	(25,000)
Balance, end of year	**5.20**	**400,000**	5.20	462,000
Options exercisable at year-end		**272,000**		302,000

(tabular amounts are in thousands of dollars)

(tabular amounts are in thousands of dollars)

12. Share capital (cont'd)

d) Earnings per share

	NOVEMBER 3, 2001		
	INCOME (LOSS) $	**SHARES**	**PER SHARE AMOUNT $**
Basic and diluted earnings (loss) per share			
Income (loss) available to common shareholders	(3,021)		
Less:			
Accretion of equity component of the convertible debentures	(1,375)		
Income (loss) available to common shareholders	(4,396)	10,477	(0.42)

The securities that could potentially dilute basic earnings per share in future, but that were not considered in the diluted earnings (loss) per share since they were anti-dilutive on November 3, 2001, are the convertible debentures and the stock option plan.

	OCTOBER 28, 2000		
	INCOME $	SHARES	PER SHARE AMOUNT $
Basic earnings per share			
Income available to common shareholders	20,588		
Less:			
Accretion of equity component of the convertible debentures	(628)		
Income available to common shareholders	19,960	10,531	1.90
Diluted earnings per share			
Effect of dilutive securities:			
Plus:			
Accretion of equity component of the convertible debentures	628		
Convertible debentures	628	4,421	
Stocks option		55	
Income available to common shareholders plus assumed conversions	21,216	15,007	1.41

13. Convertible debentures

On July 21, 1994, the Company issued subordinated debentures with a par value of $8,158,000, 8%, convertible at the holder's option into Class B subordinated shares at a conversion price of $7 per share up to maturity date on August 4, 2004. The debentures are redeemable up to their maturity date at par plus accrued and unpaid interest provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of redemption was given is at least $8.75 from August 6, 1999 to August 4, 2001 and is at $7 thereafter. The Company may, at its option, pay the principal amount in freely tradeable subordinate shares.

On May 16, 1996, the Company issued an aggregate amount of $19,000,000 in subordinated debentures, 7.25%, convertible at the holder's option into Class B subordinated shares at a conversion price of $6.25 per share at any time prior to May 29, 2001 and at a conversion price of $7.75 per share thereafter and up to maturity date on May 29, 2006. However, from May 29, 1999 to May 29, 2001, the debentures were exchangeable at the Company's option for subordinate voting shares at par plus accrued and unpaid interest, provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of exchange was given exceeded $7.81. On May 30, 2001, they were redeemable at par plus accrued and unpaid interest. After this date, these debentures are redeemable, at par plus accrued and unpaid interest, provided that the weighted average trading price of the subordinate voting shares on Stock Exchange during the 20 consecutive trading days ending five days before the date on which the notice of redemption was given is at least $9.69 from May 31, 2001 to May 29, 2003 and $7.75 thereafter. The Company may, at its option from May 30, 2001, pay the principal amount in freely tradable subordinate shares.

13. Convertible debentures (cont'd)

The convertible debentures are presented according to their component parts. The financial liability component representing interest obligation is presented as a liability and the equity component representing the conversion option held by the holder and the settlement option in shares held by the Company is presented in shareholders' equity.

The interest expense related to the liability component is charged to income and the accretion related to the equity component is charged to retained earnings, net of income taxes.

On May 30, 2001, the Company early redeemed subordinated debentures, 7.25%, for a cash consideration of $7,815,500 representing par value. The financial liability component and the equity component were reduced of $2,135,500 and $5,680,000, respectively, based on their relative fair values on May 30, 2001.

A loss amounting to $234,000, included in interest on long-term debt and in convertible debentures, represents the difference between the consideration attributable to the financial liability component and its carrying value at the purchase date. A gain of the same amount has been included in the accretion of equity component of the convertible debentures account in the statements of retained earnings representing the difference between the consideration attributable to the equity component and its carrying value at the purchase date.

14. Pension plans

The Company has defined benefit pension plans covering certain of its employees. The cost of pension benefits earned by employees is determined using the projected benefit method prorated on services.

Based on most recent actuarial calculations, as at November 3, 2001 (for the year ended November 3, 2001) and October 31, 2000 (for the year ended October 28, 2000), the information related to these defined benefit pension plans can be summarized as follows:

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	**4,611**	3,537
Adjustment resulting from applying new accounting recommendations	–	716
Accrued benefit obligation, as adjusted	**4,611**	4,253
Current service cost	**141**	156
Employees' contributions	**59**	57
Interest cost	**317**	307
Benefits paid	**(225)**	(162)
Actuarial losses	**405**	–
Accrued benefit obligation, end of year	**5,308**	4,611
Plan assets		
Fair value of plan assets, beginning of year	**5,122**	4,178
Actual return on plan assets	**(407)**	777
Employer contributions	**(71)**	272
Employees' contributions	**59**	57
Benefits paid	**(225)**	(162)
Fair value of plan assets, end of year	**4,478**	5,122
Accrued benefit assets (liabilities)		
Plan surplus (deficit)	**(830)**	511
Unamortized actuarial losses (gains)	**779**	(436)
Accrued benefit assets (liabilities)	**(51)**	75

(tabular amounts are in thousands of dollars)

(tabular amounts are in thousands of dollars)

14. Pension plans (cont'd)

The most important actuarial assumptions used in order to evaluate the accrued benefit obligations can be summarized as follows:

	NOVEMBER 3 2001 %	OCTOBER 28 2000 %
Discount rate	**6.75**	7.00
Expected long-term rate of return on plan assets	**8.00**	8.00
Rate of compensation increase	**3.50**	3.50

The net expense for the Company's benefit plans is as follows:

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Current service cost	**141**	156
Interest cost	**317**	307
Expected return on plan assets	**(403)**	(341)
Net benefit plan expense	**55**	122

15. Related party transactions

During the years, the Company has concluded the following transactions with related companies:

	NOVEMBER 3 2001 $	OCTOBER 28 2000 $
Parent company		
Administrative expenses	**850**	1,248
Company subject to significant influence (prior to control acquisition - Refer to Note 4):		
Sales and other revenues	**83**	153
Purchases and other fees	**2,452**	4,473
Net rental income	**99**	162
Companies under significant influence of close relatives of one director:		
Sales and other revenues	**5,509**	5,208
Purchases and other fees	**66**	1,014
Rental income	**133**	66

These transactions are in the normal course of operations and are measured at the exchange amount.

On November 3, 2001, the amounts receivable of $653,999 (2000 - $795,712) and the amounts payable of $124,733 (2000 - $939,659) in relation to these transactions, are included in accounts receivable and accounts payable, respectively.

During the year 2001, a subsidiary of the Company sold a building and a land to a company under the significant influence of close relatives of one director. The consideration received amounts to $1,135,000. The transaction has been measured at the carrying value.

16. Segmented information

GEOGRAPHIC SEGMENTS	CANADA $	UNITED STATES $	ELIMINATIONS $	CONSOLIDATED $
				NOVEMBER 3, 2001
External revenues	405,972	182,410	–	588,382
Disposal between geographic segments	19,635	627	(20,262)	–
Sales	425,607	183,037	(20,262)	588,382
Interest income	(411)	(297)	281	(427)
Interest expense	10,206	3,495	(281)	13,420
Net interest expense	9,795	3,198	–	12,993
Amortization	7,072	1,598	–	8,670
Income taxes	2,695	(4,703)	–	(2,008)
Share in net income of the company subject to significant influence	2	–	–	2
Net income (net loss)	4,997	(8,018)	–	(3,021)
Segmented assets	243,477	86,660		330,137
Segmented capital expenditures	7,101	830		7,931

GEOGRAPHIC SEGMENTS	CANADA $	UNITED STATES $	ELIMINATIONS $	CONSOLIDATED $
				OCTOBER 28, 2000
External revenues	469,229	211,732	–	680,961
Disposal between geographic segments	18,658	1,247	(19,905)	–
Sales	487,887	212,979	(19,905)	680,961
Interest income	(81)	(749)	505	(325)
Interest expense	11,142	3,504	(505)	14,141
Net interest expense	11,061	2,755	–	13,816
Amortization	6,667	1,353	–	8,020
Income taxes	12,076	3,164	–	15,240
Share in net income of the company subject to significant influence	110	–	–	110
Net income	15,015	5,573	–	20,588
Segmented assets	292,050	108,037	–	400,087
Segmented capital expenditures	11,869	1,904	–	13,773

The Company derives its revenues primarily from the distribution of steel. The reportable segments of Leroux Steel Inc. are operating units managed on a geographical basis. The operating units with similar economic characteristics have been aggregated into larger geographical sectors, according to the disparities of the target markets.

The officers of the Company assess the performance of the operating units aggregated by sector based on net income.

The accounting policies used to determine segment profit or loss and measure segment assets are the same as those described in the summary of significant accounting policies.

(tabular amounts are in thousands of dollars)

(tabular amounts are in thousands of dollars)

17. Financial instruments

a) Foreign exchange risk

The Company realizes a significant portion of its activities in foreign currencies and enters into foreign exchange contracts in order to manage its foreign exchange risk. On November 3, 2001, the Company is committed to sell under foreign exchange contracts US$10.5 millions for Canadian dollars at an average rate of $1.55 over a period extending up to February 28, 2002.

In addition, the Company is exposed to foreign exchange risk due to sales by a subsidiary on the American market. This risk has been mitigated by the purchases and the operating charges incurred in US currency.

As at November 3, 2001, assets and liabilities include the following amounts transacted in US currency:

	$
Accounts receivable	36,770
Accounts payable	21,926
Bank loans	42,584
Long-term debt	5,961

b) Credit risk

The Company provides credit to its clients in the normal course of its operations. It carries out, on a continuing basis, credit evaluations of its clients and reviews the credit background of new clients. The Company is not exposed to any significant risk with respect to a single client.

c) Fair value of financial instruments

The fair value of cash, accounts receivable, bank overdraft, bank loans and accounts payable approximates their carrying value due to their forthcoming maturities.

The fair value of items included in the long-term debt approximates their carrying value since most of them are bearing interest at floating rates or at fixed rates comparable to market rates.

The fair value of the liability component of convertible subordinated debentures, based on the discounted value of future cash flows at the interest rate available to the Company for a loan with similar terms and conditions and a similar maturity date at the balance sheet date, is $3,854,743 (2000 - $8,878,000).

18. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

10-year Financial Retrospective

(in thousands of dollars except per-share and other data as noted)

	NOVEMBER 3 2001	OCTOBER 28 2000	OCTOBER 31 1999	OCTOBER 31 1998	OCTOBER 31 1997
FINANCIAL PERFORMANCE					
Shipments (in tonnes)	825,303	871,760	796,345	615,800	500,400
Sales	$ 588,382	$ 680,961	$ 586,911	$ 495,385	$ 370,649
Average selling price ($/tonne)	$ 713	$ 781	$ 737	$ 804	$ 740
EBITDA	$ 16,598	$ 57,631	$ 31,759	$ 33,411	$ 21,039
Net income (net loss)	$ (3,021)	$ 20,588	$ 8,251	$ 12,064	$ 9,779
Return on average equity (%)	(2.3)	16.4	7.4	11.8	10.7
Cash flow	$ 3,353	$ 29,241	$ 14,011	$ 17,697	$ 13,244
FINANCIAL POSITION					
Total assets	$ 330,137	$ 400,087	$ 352,868	$ 315,949	$ 243,892
Long-term debt	$ 47,596	$ 50,315	$ 52,455	$ 52,525	$ 37,299
Convertible debentures (liability)	$ 4,293	$ 7,467	$ 8,526	$ 9,615	$ 10,459
Total indebtedness	$ 140,587	$ 164,707	$ 154,908	$ 144,087	$ 86,127
Equity	$ 129,020	$ 136,327	$ 114,213	$ 108,276	$ 96,455
PER-EMPLOYEE DATA					
Number of employees at year-end	1,238	1,227	1,115	947	817
Shipments per employee (in tonnes)	688	753	764	712	733
Sales per employee	$ 490	$ 589	$ 563	$ 573	$ 543
EBITDA per employee	$ 13.8	$ 49.8	$ 30.5	$ 38.6	$ 30.8
Assets per employee	$ 267	$ 326	$ 316	$ 334	$ 299
PER-SHARE DATA					
Net income (net loss)					
Basic	$ (0.42)	$ 1.90	$ 0.72	$ 1.05	$ 0.83
Fully diluted	$ (0.42)	$ 1.41	$ 0.59	$ 0.82	$ 0.67
Cash flow	$ 0.32	$ 2.78	$ 1.31	$ 1.61	$ 1.18
Book value	$ 10.83	$ 11.12	$ 9.11	$ 8.44	$ 7.13
MARKET PRICE					
LER.A					
High	$ 9.00	$ 9.00	$ 7.75	$ 8.50	$ 7.85
Low	$ 4.25	$ 4.50	$ 4.50	$ 7.00	$ 7.00
LER.B					
High	$ 5.90	$ 7.50	$ 6.00	$ 7.50	$ 5.25
Low	$ 3.50	$ 3.80	$ 3.80	$ 4.70	$ 4.00
LER.DB					
High	$ 105.00	$ 115.00	$ 102.50	$ 115.00	$ 115.00
Low	$ 90.00	$ 93.00	$ 94.00	$ 100.35	$ 99.00
LER.DB.A					
High	$ 105.00	$ 119.95	$ 105.00	$ 117.50	$ 118.00
Low	$ 90.00	$ 95.00	$ 95.00	$ 100.00	$ 93.00

OCTOBER 31 1996	OCTOBER 31 1995	OCTOBER 31 1994	OCTOBER 31 1993	OCTOBER 31 1992	OCTOBER 31 1991
411,600	403,000	238,000	150,000	108,000	97,000
$ 311,450	$ 305,327	$ 161,881	$ 86,644	$ 62,638	$ 59,341
$ 757	$ 758	$ 681	$ 578	$ 580	$ 612
$ 21,559	$ 25,720	$ 13,246	$ 5,824	$ 3,796	$ 3,204
$ 9,687	$ 12,327	$ 6,496	$ 1,432	$ 92	$ (489)
12.9	23.4	20.6	8.5	0.8	(4.3)
$ 12,918	$ 14,755	$ 7,900	$ 2,745	$ 1,458	$ 639
$ 175,375	$ 161,812	$ 127,872	$ 59,332	$ 47,812	$ 41,032
$ 21,901	$ 19,671	$ 11,339	$ 8,740	$ 9,678	$ 10,741
$ 11,212	$ 3,408	$ 3,600			
$ 44,016	$ 54,083	$ 55,457	$ 23,181	$ 23,740	$ 22,577
$ 86,022	$ 64,117	$ 41,044	$ 21,902	$ 11,684	$ 10,882
579	532	450	219	181	163
764	821	734	732	628	561
$ 578	$ 622	$ 499	$ 423	$ 364	$ 343
$ 40.0	$ 52.4	$ 40.9	$ 28.4	$ 22.1	$ 18.5
$ 303	$ 304	$ 284	$ 271	$ 264	$ 252
$ 0.83	$ 1.21	$ 0.90	$ 0.31	$ 0.02	$ (0.13)
$ 0.72	$ 1.01	$ 0.77			
$ 1.14	$ 1.45	$ 1.10	$ 0.59	$ 0.38	$ 0.17
$ 6.22	$ 5.60	$ 4.41	$ 3.44	$ 2.98	$ 2.93
$ 6.50	$ 8.00	$ 7.00	$ 4.95	$ 2.05	$ 2.25
$ 5.50	$ 5.88	$ 4.60	$ 1.80	$ 1.60	$ 1.65
$ 5.25	$ 5.50	$ 5.75	$ 5.00		
$ 4.15	$ 4.20	$ 4.45	$ 3.25		
$ 114.00	$ 114.00	$ 117.00			
$ 99.25	$ 99.00	$ 99.00			
$ 101.50					
$ 95.00					

- Including current portion
- Including long-term debt, bank loans and overdraft, and the liability component of convertible debentures
- Based on the weighted average number of employees in service during the year
- Based on the number of employees at year-end
- Excluding the equity component of convertible debentures

Directors and Officers

BOARD OF DIRECTORS

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and Chief Executive Officer
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The Canam Manac Group Inc.

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Groupe Bellechasse Santé

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Lawyer
McInnes, Cooper

Claude Perrotte *†
Executive Vice-President,
and Co-Chief Executive Officer
Group Datamark Systems Inc.

* Member of the audit committee
† Member of the compensation and corporate governance committee

HEAD OFFICE MANAGEMENT Leroux Steel inc. corporate

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and Chief Executive Officer

Serge Bergeron, CGA
Chief Financial Officer

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Vice-President,
Operations, Canada
and Vice-President,
Sales & Marketing, Canada

Catherine Frigon
Vice-President
and General Counsel
Assistant Corporate Secretary

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Vice-President,
Corporate Purchasing

Jocelyne Bélanger
Vice-President,
Human Resources
& Communication

Robert Y. Girard
Corporate Secretary

Jacques Couture
Corporate Manager,
Operations

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Daniel Vallières, CA, CMA
Manager, Finances

Aline Carrier
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Human Resource Regional
Manager Quebec and
Atlantic Provinces

Lynda Smith
Human Resource
Regional Manager
Ontario

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Regional Manager, Western Quebec

Jean-Claude Chouinard
Plant Manager
Service Centre, Boucherville

Jean Talbot
Plant Manager
Service Centre, Quebec

Matteo Abate
Plant Manager
Service Centre, Terrebonne

Louis-André Fortin
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Jocelyn Boily
Regional Manager, Eastern Quebec

Michel Poirier
General Manager
Service Centre, Acier Loubier

Luc Amiot
General Manager
Service Centre, Rimouski

Jacques Lalancette
General Manager
Service Centre, Amos

Jocelyn Boily
General Manager Service Centre Chicoutimi and Sept-îles & Baie-Comeau plants

Gregg Bryant
Atlantic provinces Regional Manager
Distribution Centres, Halifax and Sackville

Douglas Billyard
Ontario Regional Manager

Keith Arbour
General Sales Manager, Ontario

Peter Maher
General Manager
Service Centre, Ottawa

James Roxburgh
Manager, Operations
Service Centre Cambridge and Port Robinson plant

CANADIEN SUBSIDIARIES

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LONGUEUIL
Gilbert Pineault
General Manager

RICHLER STEEL CORPORATION
BOUCHERVILLE
Pierre Vigneault
General Manager

DELTA JOISTS INC.
SAINTE-MARIE-DE-BEAUCE
Gilles Lachance
President

TRANSFO-MÉTAL INC.
BOUCHERVILLE
Pierre Vigneault
General Manager

DOLLARD STEEL INC.
Norton Paish
General Manager

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Sylvain Garneau
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Finance & Administrative Manager

Danny Davis
Purchasing Manager

Lynda Lynch
Human Resource Manager

Paul Soda
Production and Project Manager

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General Manager

DETROIT DIVISION
Michael Dean
General Manager

MANCHESTER DIVISION
Gerry Larose
General Manager

SALES OFFICE
SCHENECTADY
Jeffrey J. Sears
General Manager

PLATTSBURGH DIVISION AND SOUTH PLAINFIELD DIVISION
Jeffrey J. Sears
General Manager

Corporate Information

LEROUX STEEL INC.

Principal Financial Institutions

National Bank of Canada
Caisse Centrale Desjardins
Scotia Bank
Royal Bank of Canada
Laurentian Bank of Canada
Bank One

Transfer Agent and Registrar

General Trust of Canada

Legal Counsel

Fasken Martineau Dumoulin LLP
Lawyers

Auditors

Arthur Andersen LLP
Chartered Accountants

Investor Relations and Financial Communications

Maison Brison Inc.

Annual General Meeting of Shareholders

March 19, 2002 at 11:00 a.m.
Hotel Omni Mont-Royal
Salon Pierre-de-Coubertin
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